

TOWNSHIP OF BOIS BLANC  
Mackinac County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005



## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Bois Blanc	<b>County</b> Mackinac
<b>Audit Date</b> March 31, 2005	<b>Opinion Date</b> August 3, 2005	<b>Date Accountant Report Submitted to State:</b> September 19, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

**RECEIVED**  
DEPT. OF TREASURY

SEP 26 2005

LOCAL AUDIT & FINANCE DIV.

### We have enclosed the following:

Enclosed	To Be Forwarded	Not Required
X		
		X
		X

The letter of comments and recommendations.

Reports on individual federal financial assistance programs (program audits).

Single Audit Reports (ASLGU).

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF BOIS BLANC  
Mackinac County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

August 3, 2005

To the Township Board  
Township of Bois Blanc  
Mackinac County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Bois Blanc, Mackinac County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Bois Blanc's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Bois Blanc, Mackinac County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF BOIS BLANC  
Mackinac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Bois Blanc covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Taxable value of property in Bois Blanc Township in 2004 was \$20,801,633.00; an increase of about \$1,000,000.00 or 4.8%.

Our financial status remained stable. Net assets on March 31, 2005, were \$1,258,506.79 for governmental activities.

New debt includes: \$96,300.00 to the State of Michigan for an airport paving project, payable over ten years at 3.90%.

OVERVIEW OF FINANCIAL STATEMENTS

Bois Blanc Township operates on six governmental funds: a General Fund and five Special Revenue Funds. The General Fund supports all the basic operating functions of the Township. The five special revenue funds that operate with their own voted millage are the Airport Fund, Fire Fund, Law Fund, Marina Fund, and Transfer Station Fund.

ENTITY-WIDE FINANCIAL STATEMENTS

All of the activities of Bois Blanc Township are reported as governmental activities.

The report of net assets shows the difference between the Township's assets and its liabilities. It is one measure of the financial health of the Township. Since this is the first year of reporting capital assets, it is not possible to compare this report with prior years.

The overall health of the Township is influenced by tax base and tax levy changes, facility changes and personnel changes.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund had a beginning fund balance of \$157,214.67 and an ending fund balance of \$200,990.98. The increase was due to a hold over of funds to redo the Township Hall and a lack of progress on a Lake Mary dock. A Coastal Management Grant was used to hire a consultant to assist in a complete overhaul of the Zoning Ordinance. The new document is in the final revision stages and should be in place this fall.

The Airport Fund is in a state of transition with a \$1,900,000.00 runway expansion and paving project that began during the 2004-2005 fiscal year and is scheduled for completion in the 2005-2006 fiscal year. The Township share of the project is \$190,000.00 (10%) partially funded by a State loan of \$96,300.00 for 10 years at 3.90%. The loan proceeds were included in the 2004-2005 Airport Fund balance. Funds of \$33,770.76 were expended in the current year.

The Fire Department signed a contract for a new fire truck to be delivered in the 2006-2007 fiscal year. A used rescue vehicle was donated to the Fire Department by the Volunteer Fire Fighters Association. The department also received a FEMA Grant for the first responder training and personnel equipment.

TOWNSHIP OF BOIS BLANC  
Mackinac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2005

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS (continued)

The Law fund balance increased \$14,576.21 to \$143,776.37 due to a delay in the billing cycle for the sheriff deputy wages.

The Marina fund balance increased \$42,775.70 to \$255,833.72. There were no major projects at the Marina during the current year. However, most Marina projects are very expensive and this fund is allowed to build to support major expansion projects.

The Transfer Station fund balance grew from \$33,543.86 to \$43,690.85 in anticipation of replacing the attendants building and the incinerator.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

The State provided a \$96,300.00 loan to help cover the Township 10% share of the Airport project. A FEMA grant and a DNR grant to the Fire Department plus a Coastal Management grant to the Planning Commission added to the revenues.

Accomplishments in the past year include major activity on the Airport runway extension/paving project, new equipment for the Fire Department, and a significant upgrade to the Zoning Ordinance. The runway project bids were opened in March. The low bid of \$1,900,000.00 was \$400,000.00 above the estimate, causing a critical look at the Township budget to find the extra \$40,000.00 as our share of the 90:10 project. The money was found by taking funds from Roads, Parks & Recreation, Attorney fees, Capital outlay, Contingency, and by deferring payment of principal on the Airport loan.

The Fire Department acquired new personnel equipment and training under a grant from FEMA. They also acquired a "new" used rescue vehicle and a replacement used small tank truck. A USDA loan/grant is being used to acquire a brand new fire truck at a cost of \$212,000.00. It is scheduled for delivery in 2006.

The major disappointments in the past year include the failure to renovate the Township Hall and to replace the attendants building at the Transfer Station. These projects are part of the USDA grant program. They were not completed because attention was diverted to the Airport project and the architects have not responded to our requests for final drawings and bid documents.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$37,040.91 in capital assets.

The Township's governmental activities paid \$10,000.00 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

Taxable value continues to increase about 4% per year. The Township incurred debt for the first time 2 years ago and increased the debt significantly during the current year. An unanticipated voter rejection of the current millage rates would jeopardize the Township's ability to repay the loans.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township at P.O. Box 898, Pointe Aux Pins, Michigan 49775.

TOWNSHIP OF BOIS BLANC  
Mackinac County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	878 112 98
Taxes receivable	<u>30 276 06</u>
Total Current Assets	<u>908 389 04</u>
NON-CURRENT ASSETS:	
Capital Assets	933 719 33
Less: Accumulated Depreciation	<u>(471 868 00)</u>
Total Non-current Assets	<u>461 851 33</u>
TOTAL ASSETS	<u><u>1 370 240 37</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>1 833 58</u>
Total Current Liabilities	<u>1 833 58</u>
NON-CURRENT LIABILITIES:	
Notes payable	<u>109 900 00</u>
Total Non-current Liabilities	<u>109 900 00</u>
Total Liabilities	<u>111 733 58</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	351 951 33
Unrestricted	<u>906 555 46</u>
Total Net Assets	<u>1 258 506 79</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 370 240 37</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOIS BLANC  
Mackinac County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2005

		Program Revenue		Governmental Activities
				Net (Expense)
	Expenses	Charges for Services	Operating Grants - Contributions	Revenue and Changes in Net Assets
<b>FUNCTIONS/PROGRAMS</b>				
Governmental Activities:				
Legislative	8 964 15	-	-	(8 964 15)
General government	86 180 12	12 041 25	-	(74 138 87)
Public safety	91 478 03	-	7 145 50	(84 332 53)
Public works	76 634 56	22 892 00	21 904 38	(31 838 18)
Interest on long-term debt	929 27	-	-	(929 27)
Total Governmental Activities	<u>264 186 13</u>	<u>34 933 25</u>	<u>29 049 88</u>	<u>(200 203 00)</u>
General Revenues:				
Property taxes				310 125 34
Other taxes				10 022 06
State revenue sharing				7 066 87
Interest				10 004 92
Miscellaneous				<u>11 715 93</u>
Total General Revenues				<u>348 935 12</u>
Change in net assets				148 732 12
Net assets, beginning of year				<u>1 109 774 67</u>
Net Assets, End of Year				<u>1 258 506 79</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOIS BLANC  
Mackinac County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2005

	<u>General</u>	<u>Airport</u>	<u>Law Enforcement</u>
<u>Assets</u>			
Cash in bank	191 493 90	155 828 69	139 966 07
Taxes receivable	<u>11 085 59</u>	<u>5 875 56</u>	<u>3 810 30</u>
Total Assets	<u>202 579 49</u>	<u>161 704 25</u>	<u>143 776 37</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	<u>1 588 51</u>	<u>132 04</u>	<u>-</u>
Total liabilities	<u>1 588 51</u>	<u>132 04</u>	<u>-</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>200 990 98</u>	<u>161 572 21</u>	<u>143 776 37</u>
Total fund equity	<u>200 990 98</u>	<u>161 572 21</u>	<u>143 776 37</u>
Total Liabilities and Fund Equity	<u>202 579 49</u>	<u>161 704 25</u>	<u>143 776 37</u>

The accompanying notes are an integral part of these financial statements.

<u>Fire</u>	<u>Marina</u>	<u>Other Funds</u>	<u>Total</u>
96 975 71	252 024 64	41 823 97	878 112 98
<u>3 810 30</u>	<u>3 810 30</u>	<u>1 884 01</u>	<u>30 276 06</u>
<u>100 786 01</u>	<u>255 834 94</u>	<u>43 707 98</u>	<u>908 389 04</u>
94 68	1 22	17 13	1 833 58
<u>94 68</u>	<u>1 22</u>	<u>17 13</u>	<u>1 833 58</u>
100 691 33	255 833 72	43 690 85	906 555 46
<u>100 691 33</u>	<u>255 833 72</u>	<u>43 690 85</u>	<u>906 555 46</u>
<u>100 786 01</u>	<u>255 834 94</u>	<u>43 707 98</u>	<u>908 389 04</u>

TOWNSHIP OF BOIS BLANC  
Mackinac County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	906 555 46
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	933 719 33
Accumulated depreciation	(471 868 00)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Notes payable	<u>(109 900 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>1 258 506 79</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOIS BLANC  
Mackinac County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2005

	<u>General</u>	<u>Airport</u>	<u>Law Enforcement</u>
Revenues:			
Property taxes	110 130 48	61 230 44	39 727 46
Other taxes	10 022 06	-	-
State revenue sharing	6 296 87	-	770 00
State grants	7 145 50	-	-
Charges for services – PTAF	10 451 25	-	-
Charges for services – other	1 590 00	-	-
Interest	2 093 10	1 128 12	1 824 01
Miscellaneous	143 09	550 00	-
Total revenues	<u>147 872 35</u>	<u>62 908 56</u>	<u>42 321 47</u>
Expenditures:			
Legislative:			
Township Board	8 964 15	-	-
General government:			
Supervisor	8 267 35	-	-
Elections	1 781 32	-	-
Assessor	15 965 28	-	-
Clerk	10 797 79	-	-
Board of Review	736 16	-	-
Treasurer	24 923 14	-	-
Building and grounds	17 146 25	-	-
Cemetery	762 83	-	-
Public safety:			
Law enforcement	-	-	27 745 26
Fire protection	-	-	-
Planning and zoning	9 651 77	-	-
Public works:			
Marina	-	-	-
Airport	5 100 00	22 841 49	-
Sanitation	-	-	-
Capital outlay	-	-	-
Debt service	-	10 929 27	-
Total expenditures	<u>104 096 04</u>	<u>33 770 76</u>	<u>27 745 26</u>
Excess (deficiency) of revenues over expenditures	<u>43 776 31</u>	<u>29 137 80</u>	<u>14 576 21</u>
Other financing sources (uses):			
Loan proceeds	-	96 300 00	-
Total other financing sources (uses)	<u>-</u>	<u>96 300 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	43 776 31	125 437 80	14 576 21
Fund balances, April 1	<u>157 214 67</u>	<u>36 134 41</u>	<u>129 200 16</u>
Fund Balances, March 31	<u><u>200 990 98</u></u>	<u><u>161 572 21</u></u>	<u><u>143 776 37</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Fire</u>	<u>Marina</u>	<u>Other Funds</u>	<u>Total</u>
39 704 78	39 698 32	19 633 86	310 125 34
-	-	-	10 022 06
-	-	-	7 066 87
-	21 904 38	-	29 049 88
-	-	-	10 451 25
-	16 755 00	6 137 00	24 482 00
1 313 16	3 375 38	271 15	10 004 92
8 167 26	2 855 58	-	11 715 93
<u>49 185 20</u>	<u>84 588 66</u>	<u>26 042 01</u>	<u>412 918 25</u>
-	-	-	8 964 15
-	-	-	8 267 35
-	-	-	1 781 32
-	-	-	15 965 28
-	-	-	10 797 79
-	-	-	736 16
-	-	-	24 923 14
-	-	-	17 146 25
-	-	-	762 83
-	-	-	27 745 26
45 023 00	-	-	45 023 00
-	-	-	9 651 77
-	11 772 05	-	11 772 05
-	-	-	27 941 49
-	-	15 895 02	15 895 02
7 000 00	30 040 91	-	37 040 91
-	-	-	10 929 27
<u>52 023 00</u>	<u>41 812 96</u>	<u>15 895 02</u>	<u>275 343 04</u>
<u>(2 837 80)</u>	<u>42 775 70</u>	<u>10 146 99</u>	<u>137 575 21</u>
-	-	-	96 300 00
-	-	-	96 300 00
(2 837 80)	42 775 70	10 146 99	233 875 21
<u>103 529 13</u>	<u>213 058 02</u>	<u>33 543 86</u>	<u>672 680 25</u>
<u>100 691 33</u>	<u>255 833 72</u>	<u>43 690 85</u>	<u>906 555 46</u>

TOWNSHIP OF BOIS BLANC  
Mackinac County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 233 875 21

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(35 884 00)
Capital Outlay	37 040 91

Repayment of debt principal is an expenditure in the governmental funds, the  
repayment does not have an effect in the statement of activities but does  
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	10 000 00
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Repayment of debt principal in the form of loan proceeds is a financing source in the  
governmental funds, the receipt does not have an effect in the statement of  
activities but does increase the debt balance in the statement of net assets.

Principal receipts on long-term debt	<u>(96 300 00)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>148 732 12</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOIS BLANC  
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Bois Blanc, Mackinac County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Bois Blanc. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF BOIS BLANC  
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was 14.9156 mills, and the taxable value was \$20,801,633.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF BOIS BLANC  
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land improvements	10-40 years
Buildings, additions and improvements	5-50 years
Equipment	5 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$461,851.33.

TOWNSHIP OF BOIS BLANC  
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>878 112 98</u>

TOWNSHIP OF BOIS BLANC  
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 3 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	300 335 61
Uninsured and Uncollateralized	<u>644 192 09</u>
Total Deposits	<u><u>944 527 70</u></u>

The Township of Bois Blanc did not have any investments as of March 31, 2005.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Land and improvements	506 978 42	30 040 91	-	537 019 33
Buildings	296 700 00	-	-	296 700 00
Equipment	<u>93 000 00</u>	<u>7 000 00</u>	-	<u>100 000 00</u>
Total	896 678 42	37 040 91	-	933 719 33
Accumulated Depreciation	<u>(435 984 00)</u>	<u>(35 884 00)</u>	-	<u>(471 868 00)</u>
Net Capital Assets	<u><u>460 694 42</u></u>	<u><u>1 156 91</u></u>	-	<u><u>461 851 33</u></u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Bois Blanc does not issue building permits.

TOWNSHIP OF BOIS BLANC  
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

**Note 9 – Changes in Long-Term Debt**

The following is a summary of changes in long-term debt:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/05</u>
Note payable – Equipment	23 600 00	-	10 000 00	13 600 00
Note payable – Airport	-	96 300 00	-	96 300 00
Total	<u>23 600 00</u>	<u>96 300 00</u>	<u>10 000 00</u>	<u>109 900 00</u>

**Note 10 – Note Payable – Equipment**

On December 4, 2003, the Township entered into a loan agreement with the United States of America in the amount of \$200,000.00 to partially fund the purchase of a pumper fire truck, a plow truck, appurtenant equipment, and a snow blower/mower. As of March 31, 2005, the Township had received \$23,600.00 of the loan proceeds. As of March 31, 2005, the outstanding principal balance was \$13,600.00. The loan principal is repayable as follows along with interest at the rate of 4.25% per annum:

<u>Due Date</u>	<u>Principal Amount</u>
12-1-05	10 000 00
12-1-06	11 000 00
12-1-07	11 000 00
12-1-08	12 000 00
12-1-09	12 000 00
12-1-10	13 000 00
12-1-11	13 000 00
12-1-12	14 000 00
12-1-13	14 000 00
12-1-14	15 000 00
12-1-15	15 000 00
12-1-16	16 000 00
12-1-17	17 000 00
12-1-18	<u>17 000 00</u>
Total	<u>190 000 00</u>

**Note 11 – Note Payable – Airport**

On September 3, 2004, the Township entered into a loan agreement with the Michigan Aeronautics Commission in the amount of \$96,300.00 to partially fund the improvement of the airport. As of March 31, 2005, the Township had received \$96,300.00 of the loan proceeds. As of March 31, 2005, the outstanding principal balance was \$96,300.00. The loan principal is repayable as follows along with interest at the rate of 3.90% per annum:

TOWNSHIP OF BOIS BLANC  
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 11 – Note Payable – Airport (continued)

<u>Due Date</u>	<u>Principal Amount</u>
9-3-05	8 058 30
9-3-06	8 372 57
9-3-07	8 699 10
9-3-08	9 038 37
9-3-09	9 390 87
9-3-10	9 757 11
9-3-11	10 137 64
9-3-12	10 533 00
9-3-13	10 943 79
9-3-14	<u>11 369 25</u>
Total	<u><u>96 300 00</u></u>

TOWNSHIP OF BOIS BLANC  
Mackinac County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	105 000 00	105 000 00	110 130 48	5 130 48
Other taxes	10 000 00	10 000 00	10 022 06	22 06
State revenue sharing	5 600 00	6 100 00	6 296 87	196 87
State grants	-	15 000 00	7 145 50	(7 854 50)
Charges for services – PTAF	6 000 00	6 000 00	10 451 25	4 451 25
Charges for services – other	2 200 00	2 200 00	1 590 00	(610 00)
Interest	2 000 00	2 000 00	2 093 10	93 10
Miscellaneous	10 100 00	11 300 00	143 09	(11 156 91)
Total revenues	<u>140 900 00</u>	<u>157 600 00</u>	<u>147 872 35</u>	<u>(9 727 65)</u>
Expenditures:				
Legislative:				
Township Board	15 790 00	15 790 00	8 964 15	(6 825 85)
General government:				
Supervisor	7 950 00	8 635 00	8 267 35	(367 65)
Elections	1 150 00	1 950 00	1 781 32	(168 68)
Assessor	16 818 00	16 818 00	15 965 28	(852 72)
Clerk	11 420 00	11 420 00	10 797 79	(622 21)
Board of Review	780 00	780 00	736 16	(43 84)
Treasurer	23 652 00	25 652 00	24 923 14	(728 86)
Building and grounds	20 216 00	22 472 00	17 146 25	(5 325 75)
Cemetery	1 790 00	1 790 00	762 83	(1 027 17)
Public safety:				
Planning and zoning	7 000 00	22 000 00	9 651 77	(12 348 23)
Public works:				
Airport	5 200 00	5 700 00	5 100 00	(600 00)
Contingency	10 000 00	4 959 00	-	(4 959 00)
Capital outlay	20 000 00	20 000 00	-	(20 000 00)
Total expenditures	<u>141 766 00</u>	<u>157 966 00</u>	<u>104 096 04</u>	<u>(53 869 96)</u>
Excess (deficiency) of revenues over expenditures	(866 00)	(366 00)	43 776 31	44 142 31
Fund balance, April 1	<u>866 00</u>	<u>366 00</u>	<u>157 214 67</u>	<u>156 848 67</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>200 990 98</u>	<u>200 990 98</u>

TOWNSHIP OF BOIS BLANC  
Mackinac County, Michigan

BUDGETARY COMPARISON SCHEDULE – AIRPORT FUND  
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	59 729 00	59 729 00	61 230 44	1 501 44
Interest	450 00	450 00	1 128 12	678 12
Miscellaneous	1 500 00	1 600 00	550 00	(1 050 00)
Total revenues	61 679 00	61 779 00	62 908 56	1 129 56
Expenditures:				
Public works:				
Airport	72 575 00	160 975 00	22 841 49	(138 133 51)
Debt service	3 000 00	11 000 00	10 929 27	(70 73)
Total expenditures	75 575 00	171 975 00	33 770 76	(138 204 24)
Excess (deficiency) of revenues over expenditures	(13 896 00)	(110 196 00)	29 137 80	139 333 80
Other financing sources (uses):				
Loan proceeds	-	96 300 00	96 300 00	-
Total other financing sources (uses)	-	96 300 00	96 300 00	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(13 896 00)	(13 896 00)	125 437 80	139 333 80
Fund balance, April 1	13 896 00	13 896 00	36 134 41	22 238 41
Fund Balance, March 31	-	-	161 572 21	161 572 21

TOWNSHIP OF BOIS BLANC  
Mackinac County, Michigan

BUDGETARY COMPARISON SCHEDULE – LAW ENFORCEMENT FUND  
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	40 007 00	40 007 00	39 727 46	(279 54)
State revenue sharing	770 00	770 00	770 00	-
Interest	2 500 00	2 500 00	1 824 01	(675 99)
Total revenues	<u>43 277 00</u>	<u>43 277 00</u>	<u>42 321 47</u>	<u>(955 53)</u>
Expenditures:				
Public safety:				
Law enforcement	<u>64 120 00</u>	<u>64 120 00</u>	<u>27 745 26</u>	<u>(36 374 74)</u>
Total expenditures	<u>64 120 00</u>	<u>64 120 00</u>	<u>27 745 26</u>	<u>(36 374 74)</u>
Excess (deficiency) of revenues over expenditures	(20 843 00)	(20 843 00)	14 576 21	35 419 21
Fund balance, April 1	<u>20 843 00</u>	<u>20 843 00</u>	<u>129 200 16</u>	<u>108 357 16</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>143 776 37</u>	<u>143 776 37</u>

TOWNSHIP OF BOIS BLANC  
Mackinac County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND  
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	40 000 00	40 000 00	39 704 78	(295 22)
Interest	1 500 00	1 500 00	1 313 16	(186 84)
Miscellaneous	<u>37 800 00</u>	<u>38 200 00</u>	<u>8 167 26</u>	<u>(30 032 74)</u>
Total revenues	<u>79 300 00</u>	<u>79 700 00</u>	<u>49 185 20</u>	<u>(30 514 80)</u>
Expenditures:				
Public safety:				
Fire protection	63 050 00	67 389 00	45 023 00	(22 366 00)
Capital outlay	<u>25 000 00</u>	<u>21 061 00</u>	<u>7 000 00</u>	<u>(14 061 00)</u>
Total expenditures	<u>88 050 00</u>	<u>88 450 00</u>	<u>52 023 00</u>	<u>(36 427 00)</u>
Excess (deficiency) of revenues over expenditures	(8 750 00)	(8 750 00)	(2 837 80)	5 912 20
Fund balance, April 1	<u>8 750 00</u>	<u>8 750 00</u>	<u>103 529 13</u>	<u>94 779 13</u>
Fund Balance, March 31	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>100 691 33</u></u>	<u><u>100 691 33</u></u>

TOWNSHIP OF BOIS BLANC  
Mackinac County, Michigan

BUDGETARY COMPARISON SCHEDULE – MARINA FUND  
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	46 018 00	46 018 00	39 698 32	(6 319 68)
State grants	17 000 00	17 000 00	21 904 38	4 904 38
Charges for services	14 600 00	15 800 00	16 755 00	955 00
Interest	2 500 00	2 500 00	3 375 38	875 38
Miscellaneous	2 800 00	2 800 00	2 855 58	55 58
Total revenues	82 918 00	84 118 00	84 588 66	470 66
Expenditures:				
Public works:				
Marina	51 850 00	53 050 00	11 772 05	(41 277 95)
Capital outlay	72 000 00	72 000 00	30 040 91	(41 959 09)
Total expenditures	123 850 00	125 050 00	41 812 96	(83 237 04)
Excess (deficiency) of revenues over expenditures	(40 932 00)	(40 932 00)	42 775 70	83 707 70
Fund balance, April 1	40 932 00	40 932 00	213 058 02	172 126 02
Fund Balance, March 31	-	-	255 833 72	255 833 72

TOWNSHIP OF BOIS BLANC  
Mackinac County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS  
March 31, 2005

<u>Assets</u>	<u>Airport</u>	<u>Law Enforcement</u>	<u>Fire</u>
Cash in bank	155 828 69	139 966 07	96 975 71
Taxes receivable	<u>5 875 56</u>	<u>3 810 30</u>	<u>3 810 30</u>
Total Assets	<u>161 704 25</u>	<u>143 776 37</u>	<u>100 786 01</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	<u>132 04</u>	<u>-</u>	<u>94 68</u>
Total liabilities	<u>132 04</u>	<u>-</u>	<u>94 68</u>
Fund balances:			
Unreserved:			
Undesignated	<u>161 572 21</u>	<u>143 776 37</u>	<u>100 691 33</u>
Total fund balances	<u>161 572 21</u>	<u>143 776 37</u>	<u>100 691 33</u>
Total Liabilities and Fund Balances	<u>161 704 25</u>	<u>143 776 37</u>	<u>100 786 01</u>

<u>Marina</u>	<u>Transfer Station</u>	<u>Total</u>
252 024 64	41 823 97	686 619 08
<u>3 810 30</u>	<u>1 884 01</u>	<u>19 190 47</u>
<u>255 834 94</u>	<u>43 707 98</u>	<u>705 809 55</u>
<u>1 22</u>	<u>17 13</u>	<u>245 07</u>
<u>1 22</u>	<u>17 13</u>	<u>245 07</u>
<u>255 833 72</u>	<u>43 690 85</u>	<u>705 564 48</u>
<u>255 833 72</u>	<u>43 690 85</u>	<u>705 564 48</u>
<u>255 834 94</u>	<u>43 707 98</u>	<u>705 809 55</u>

TOWNSHIP OF BOIS BLANC  
Mackinac County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS  
Year ended March 31, 2005

	<u>Airport</u>	<u>Law Enforcement</u>	<u>Fire</u>
Revenues:			
Property taxes	61 230 44	39 727 46	39 704 78
State revenue sharing	-	770 00	-
State grants	-	-	-
Charges for services – garbage	-	-	-
Charges for services – dock fees	-	-	-
Interest	1 128 12	1 824 01	1 313 16
Miscellaneous	550 00	-	8 167 26
Total revenues	<u>62 908 56</u>	<u>42 321 47</u>	<u>49 185 20</u>
Expenditures:			
Public safety:			
Law enforcement	-	27 745 26	-
Fire protection	-	-	45 023 00
Public works:			
Marina	-	-	-
Airport	22 841 49	-	-
Sanitation	-	-	-
Capital outlay	-	-	7 000 00
Debt service	10 929 27	-	-
Total expenditures	<u>33 770 76</u>	<u>27 745 26</u>	<u>52 023 00</u>
Excess (deficiency) of revenues over expenditures	<u>29 137 80</u>	<u>14 576 21</u>	<u>(2 837 80)</u>
Other financing sources (uses):			
Loan proceeds	96 300 00	-	-
Total other financing sources (uses)	<u>96 300 00</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	125 437 80	14 576 21	(2 837 80)
Fund balances, April 1	<u>36 134 41</u>	<u>129 200 16</u>	<u>103 529 13</u>
Fund Balances, March 31	<u>161 572 21</u>	<u>143 776 37</u>	<u>100 691 33</u>

<u>Marina</u>	<u>Transfer Station</u>	<u>Total</u>
39 698 32	19 633 86	199 994 86
-	-	770 00
21 904 38	-	21 904 38
-	6 137 00	6 137 00
16 755 00	-	16 755 00
3 375 38	271 15	7 911 82
2 855 58	-	11 572 84
<u>84 588 66</u>	<u>26 042 01</u>	<u>265 045 90</u>
-	-	27 745 26
-	-	45 023 00
11 772 05	-	11 772 05
-	-	22 841 49
-	15 895 02	15 895 02
30 040 91	-	37 040 91
-	-	10 929 27
<u>41 812 96</u>	<u>15 895 02</u>	<u>171 247 00</u>
<u>42 775 70</u>	<u>10 146 99</u>	<u>93 798 90</u>
-	-	96 300 00
-	-	96 300 00
42 775 70	10 146 99	190 098 90
<u>213 058 02</u>	<u>33 543 86</u>	<u>515 465 58</u>
<u>255 833 72</u>	<u>43 690 85</u>	<u>705 564 48</u>

TOWNSHIP OF BOIS BLANC  
Mackinac County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2005

	<u>Balance</u> <u>4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/05</u>
<u>Assets</u>				
Cash in Bank	<u>-</u>	<u>595 478 88</u>	<u>595 478 88</u>	<u>-</u>
<u>Liabilities</u>				
Due to other funds	-	291 264 44	291 264 44	-
Due to others	<u>-</u>	<u>304 214 44</u>	<u>304 214 44</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>595 478 88</u>	<u>595 478 88</u>	<u>-</u>

TOWNSHIP OF BOIS BLANC  
Mackinac County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year ended March 31, 2005

Cash on hand and in bank – beginning of year	<u>-</u>
Cash receipts:	
Property taxes	588 623 48
Property tax administration fee	5 862 30
Interest	<u>993 10</u>
Total cash receipts	<u>595 478 88</u>
Total beginning balance and cash receipts	<u>595 478 88</u>
Cash disbursements:	
Township General Fund	110 449 07
Township Law Fund	35 901 30
Township Marina Fund	35 901 30
Township Fire Fund	35 901 30
Township Airport Fund	55 358 25
Township Transfer Station Fund	17 753 22
Mackinac County	219 381 62
Bois Blanc Pines School	65 723 99
Eastern Upper Peninsula Intermediate School District	18 603 35
Refunds	<u>505 48</u>
Total cash disbursements	<u>595 478 88</u>
Cash on Hand and in Bank – End of Year	<u><u>-</u></u>

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

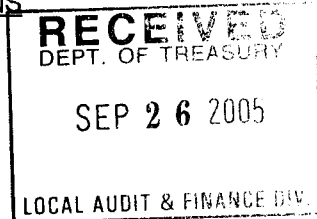
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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

August 3, 2005

To the Township Board  
Township of Bois Blanc  
Mackinac County, Michigan



We have audited the financial statements of the Township of Bois Blanc for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Bois Blanc in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Bois Blanc  
Mackinac County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Bois Blanc began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board  
Township of Bois Blanc  
Mackinac County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants